IMPROVING OPERATIONAL EFFICIENCY FOR PROFITABLE GROWTH
THE IMPORTANCE OF CHOOSING THE RIGHT IT INFRASTRUCTURE

THE BEST-RUN BUSINESSES RUN SAP™

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EXECUTIVE SUMMARY

Across nearly all industries, today's small businesses and midsize companies are concerned with improving operational efficiency to support profitable growth. Facing an increasingly competitive marketplace – characterized by globalization, market consolidation, increasing regulation, competition for resources, and the rapid pace of innovation – many companies report that improving operating efficiency is critical to their ability to thrive.[1]

In fact, boosting efficiency and calibrating capacity to meet potential expansion are the hallmarks of a successful company.[2] Many report that their IT infrastructures play a central role in achieving these goals. In a recent survey of senior executives, 68% report that IT is critical to their organization's ability to grow, while an overwhelming 72% believe that retaining operational flexibility as they grow hinges on their IT infrastructures.[3] David Thomson, author of *Blueprint to a Billion: 7 Essentials for Exponential Growth*, agrees: "Companies [that grow exponentially] invest in business systems infrastructure to fuel growth."

However, choosing the right business system and IT infrastructure can be challenging. When it comes to implementing technology infrastructure, one size does not fit all. This paper briefly delineates the market challenges facing small businesses and midsize companies, explores technology requirements, and concludes with overviews of several SAP® business solutions specifically designed to help small businesses and midsize companies improve operational efficiency and grow profitably.

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1. *Thinking big: Midsize companies and the challenges of growth,* The Economist Intelligence Unit, February 2006.
2. Ibid.
3. Ibid.

MARKET CHALLENGES
TURNING OBSTACLES INTO OPPORTUNITIES

Several market pressures present both challenges and opportunities for companies with goals for profitable growth. Coping with these challenges and turning them into an advantage requires speed and innovation, responsiveness, and adaptability. While maintaining these attributes becomes more difficult as a company grows – and adds headcount, expands into new regions or lines of business, and opens new plants – the right IT infrastructure can make all the difference. Let's briefly look at some of these challenges before exploring the business solutions that can help transform them into opportunities:

- **Globalization** – With more companies entering the fray, competition increases across all industries. However, small businesses and midsize companies that learn to leverage the benefits of globalization can deliver quality products and compete on price at international levels. They can tap into global markets for lower-cost suppliers and win additional customers in new markets.

- **Market consolidation** – As markets consolidate, small businesses and midsize companies must contend with larger rivals. With increased buying power, larger companies lower their production costs and put increasing price pressure on their smaller competitors. On the customer side, market consolidation can also lead to larger, more powerful entities that can demand lower prices, dictate terms of delivery, and in some cases, influence IT investment decisions.

- **Regulatory pressure** – While small businesses and midsize companies must often contend with regulatory requirements, they often lack the resources needed to fully address regulatory issues. Compliance can hinge on the technology infrastructure. Those companies that do meet regulatory requirements achieve a competitive advantage over their noncompliant rivals.

- **Competition for resources** – Small businesses and midsize companies report heightened competition for financial, human capital, and material resources. As a result, the cost of doing business rises and price pressures increase. To stay competitive, these companies need to operate as efficiently as possible to attract needed capital, find key employees, and source from the best suppliers.

- **Rapid pace of innovation** – With rivals delivering low-cost products to market faster than ever, small businesses and midsize companies require IT infrastructures allowing them to deliver differentiated products to market quickly. And by innovating on services, they can provide higher quality at a lower price.

SOLUTIONS FOR OPERATIONAL EFFICIENCY
SPEEDING UP BUSINESS PROCESSES

An effective business solution stream-lines operations, supports teamwork and global operations, and fosters compliance. By ensuring speed, flexibility, and responsiveness as a company grows, technology helps companies improve operational efficiency, customer service, and innovation.[4]

And increasing operational efficiency means reduced costs and increased margins. With the right business solution, companies can improve business operations by using best practices and introducing automation that speeds processes. Automation enables them to redirect resources away from administrative tasks to focus on activities that can differentiate their products or services in the marketplace.

Understanding customer needs and responding to them rapidly helps build customer loyalty – critical for businesses seeking to compete effectively against larger rivals. A business solution that includes automated systems and customer self-service for administrative activities enables customers to find answers quickly to routine questions online. Meanwhile, critical customer support resources are freed up to focus on more pressing customer needs.

Many small businesses and midsize companies report that their ability to innovate continuously gives them a competitive edge over rivals of all sizes.[5] The faster they can move, the faster they can deliver differentiated products and services to market. With enabling IT, companies can improve product design and life-cycle management, and thus speed new products to market.

But knowing which business solution to adopt can be daunting. Which option will best meet the overall goal of growth while supporting specific objectives for operational efficiency, enhancing customer relationships, and speeding the pace of innovation?

One Size Does Not Fit All

Because each company has its own particular needs, finding the right business solution involves more than simply checking boxes on a list of functionality. SAP has found that the most successful companies adopt a business solution that fits the way they work. This means choosing a solution that supports the company's organizational structure, business processes, and IT infrastructure strategy.

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4. Ibid.
5. Ibid.

Organizational Structure

Companies have varying degrees of organizational complexity, influenced by factors such as layers of management, number of employees, divisional structure, subsidiary relationships, and the number and location of their operations. These elements result in a level of complexity when it comes to business processes such as financial reconciliation and reporting, budgeting, and consolidations – and therefore influence the choice of a business solution.

Business Process Specialization

It's important to take a close look at business processes to determine whether they are straightforward and industry-standard or highly specialized. The right business solution should provide flexibility and customization for companies that require it and enable proven, standard business processes "out of the box" for companies that are either able to adopt industry best practices or use them as a starting point.

IT Infrastructure Strategy

A third key consideration is the overall IT investment strategy. While one company may require strict control and thus prefer software deployed in-house, another may seek to minimize its IT resources through software delivered as a service over the Internet. Choosing the business solution that matches a company's IT philosophy is critical to successful implementation and company-wide adoption.

Different Business Models

To illustrate, let's consider three different companies. The first is a custom motorcycle manufacturer with discrete manufacturing business processes. The company's main focus is on sustaining its margins and protecting customer loyalty. With 85 employees, two layers of management, and a basic IT infrastructure supported by a single employee, the manufacturer needs a solution that requires a minimum investment of IT resources.

A second is a professional services firm that focuses on getting new products and services to market quickly to sustain a competitive advantage. The firm's basic business processes are straightforward. With multiple offices and various subsidiaries, the firm outsources its IT and has no desire to invest heavily in a new infrastructure, preferring to focus resources instead on meeting client demands.

The third company is a medical products distributor whose goals include increasing margins, enhancing customer relationships, and widening competitive advantage. The company's organization is somewhat complex, with multiple divisions that include a clinical division and an over-the-counter division. An in-house IT department maintains a mature IT infrastructure, with a significant wide area network, that supports highly unique business processes and 900 employees.

SAP SOLUTIONS: MEETING DIVERSE NEEDS
THREE MAIN OPTIONS – AFFORDABLE AND SCALABLE

"SAP Business One is more than just a cost saver – it's an absolute essential for doing business."

Lou Giovannone, Group Controller, Fagerdala USA

SAP offers a range of solutions to address each company's diverse business requirements.

SAP Business One

Designed exclusively for small businesses such as the motorcycle manufacturer, the SAP Business One application manages the entire business – from financials and sales to customer relationship management and operations.

With SAP Business One, small businesses can streamline their end-to-end operations, get instant and complete information to respond faster to market needs, and accelerate profitable growth. The following highlights key benefits:

- **Improved operational efficiency** – By seamlessly integrating the entire business through a single application, SAP Business One eliminates redundant data entries and errors.

- **Instant, complete, and accurate information** – With Microsoft Excel–based drill-down reports, employees can navigate through a complete set of business data to get the information they need instantly, whether working in the office or remotely over the Web.
- **Improved sales effectiveness and customer relationships** – With built-in customer relationship management functionality, companies can expand online sales and provide better customer service using Web-based e-commerce and customer self-service.[6]
- **Improved productivity** – SAP Business One helps employees proactively focus on the right priorities. Workflow-based alerts enable employees to respond to the most important business events as they occur, freeing them up from constantly reacting to day-to-day issues.
- **Adaptability** – The innovative, model-driven approach and more than 350 solutions from independent software vendors allow users to easily configure, customize, and extend the system to meet specific business and industry needs.

SAP Business One is ideally suited to service, wholesale, retail, or light manufacturing companies with 10 to 100 employees and fewer than 50 users. Companies with relatively straightforward business processes and annual revenue of less than US$50 million may find SAP Business One to be a perfect fit.

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6. For a complete description of customer relationship management functionality within SAP Business One, visit www.sap.com/solutions/sme/businessone.

SAP Business One would have been perfect for the custom motorcycle manufacturer discussed earlier. It was also the perfect choice for Fagerdala World Foams, a company with similar size, organizational complexity, business process differentiation, and IT strategy. Fagerdala World Foams needed a comprehensive business solution to improve visibility, maximize efficiency, and reduce costs. The company implemented SAP Business One at one of its U.S. subsidiaries, Fagerdala USA, and within 6 months achieved a return on its investment through costs savings. With its new solution, Fagerdala reduced the time it took to close the books from 45 to 6 days and cut accounting staff from 9 full-time equivalents to 4.5. Lou Giovannone, group controller for Fagerdala USA, sums up: "SAP Business One is more than just a cost saver – it's an absolute essential for doing business."

SAP® Business ByDesign™

Designed specifically for midsize companies like the professional services firm in our example, the SAP® Business ByDesign™ solution is a complete, adaptable, on-demand business solution with broad support for cross-industry processes. Because business users can configure SAP Business ByDesign without relying on expensive IT resources, the application supports rapid changes and growth while providing a predictable cost of ownership. Here are a few of the benefits:

- **Control over and visibility into every aspect of the business** – The software centralizes business data across all departments and business processes, providing managers with insight into real-time data via dashboards delivered to a work center tailored to the individual's job responsibilities.
- **Adaptability to changing conditions with little or no intervention by IT** – Companies can automate core business processes and adapt or extend them across their entire ecosystem on the fly using everyday business language. If the company expands globally, the solution offers built-in support for regulatory compliance for countries around the world.
- **Reduced IT costs and complexity** – SAP Business ByDesign features ready-to-use functionality and built-in service and support. Customer service functionality is automated through a global backbone, providing midsize companies with expert remote customer support that maximizes productivity, minimizes IT costs, and most importantly, keeps customers happy.
- **Increased productivity** – With a try-and-buy purchasing process, companies can deploy SAP Business ByDesign quickly and without any surprises. Company employees find the software easy to use, thanks to an intuitive user interface and built-in procedure guides that enable real-time process change. This unprecedented user experience helps employees get onboard quickly, rapidly enhancing productivity.

SAP Business ByDesign is ideally suited to midsize companies requiring an application that can handle increasing organizational complexity while adapting to changing business requirements. Candidates for SAP Business ByDesign are likely to be growing quickly and need to improve business agility, operational scalability, and collaboration with partners and suppliers – at a predictable cost. They need all of their internal resources focused on business execution. And while SAP Business ByDesign is an end-to-end solution that provides companies better overall control, it requires limited or no on-site IT expertise or resources.

SAP Business All-in-One

SAP Business All-in-One solutions leverage SAP Best Practices offerings to provide midsize companies with deep industry-specific functionality. Built on the proven SAP ERP application, SAP Business All-in-One solutions also meet the needs of midsize companies that require adaptation and customization of complex business processes as their business changes and grows.

SAP Business All-in-One solutions are ideally suited for midsize companies such as the medical products distributor in our example. These companies typically maintain a dedicated IT staff and prefer a business solution with an on-premise deployment option. Often with global operations and multiple distribution channels, they use SAP Business All-in-One to streamline end-to-end business processes, which they can flexibly adapt when business needs shift. The following are a few highlights:

- **Business visibility** – SAP Business All-in-One provides visibility into all aspects of business operations and performance. With the ability to manipulate, analyze, and visualize business data through Microsoft Excel, along with direct access to reports, managers get the real-time information they need to stay on track.
- **Configurability and extensibility** – Leveraging SAP ERP and the SAP NetWeaver® platform, roles and processes can be configured to align with changing organizational needs. SAP Business All-in-One solutions are easily extensible through micro-vertical applications built by SAP partners, and through integration with third-party applications.
- **Ease of use and improved user productivity** – SAP Business All-in-One offers a simplified work environment with a user-friendly interface and role-based navigation that provides employees with easy access to the information they need. Through integration with Microsoft Excel, SAP Business All-in-One solutions offer an intuitive approach to analytics that improves the use of data for ad hoc reporting and visualization – thereby helping employees make better-informed business decisions and execute activities quickly.
- **Predictability and affordability** – As a comprehensive solution, SAP Business All-in-One provides software as well as all the documentation of best practices, deployment tools, and methodologies needed to accelerate implementation with predictable costs. With industry best practices and deployment tools to guide implementation from SAP, along with sales, services, and qualified solutions from SAP's authorized partners, midsize companies achieve time to value faster – typically implementing the solution in anywhere from two to four months.

SAP Business All-in-One is especially suited to companies with high transaction volume, demanding financial reporting structures, distributed operations, and the need to meet stringent regulatory requirements. As a case in point, Med-Health Companies adopted a qualified SAP Business All-in-One partner solution implemented by Ki Solutions to increase its business agility and improve customer intimacy. The company sought to ramp up its systems with extensive functionality tailored for pharmaceutical and wholesale distribution management. Med-Health selected industry best practices that would help it scale to meet future needs and adopted an infrastructure that helped it interact more effectively with its customers and partners. Within 10 weeks, Med-Health Companies deployed its qualified SAP Business All-in-One partner solution and began reaping its benefits.

PARTNER WITH SAP AND GROW PROFITABLY

WORLD-CLASS SOLUTIONS FROM THE LEADER – DESIGNED FOR YOUR BUSINESS

Historically, small businesses and midsize companies have had few choices among IT solutions to help them manage growth. One-size-fits-all packaged solutions are generic, complex to learn and use, and expensive to buy and maintain. What's more, they rarely provide the functionality required to increase operational efficiency, elevate customer service, and boost innovation. On the other hand, niche applications are often not integrated, requiring manual data entry leading to redundancy and errors. Many companies have simply chosen to stick with manual processes rather than adopt an ill-fitting solution.

SAP solutions fill the gap. By working with SAP, you get the support your company needs to grow profitably with a solution specifically designed for your requirements. In fact, SAP has deep expertise with small businesses and midsize companies; they comprise 65% of the SAP customer base. The following table illustrates your choices.

Predictable and Affordable Deployment and Support

SAP recognizes that small businesses and midsize companies prefer to explore their options before making a purchase decision. We offer online resources as well as a broad network of authorized local partners that provide industry expertise and guidance. You can count on extensive support from SAP and its partners that includes in-depth documentation and a comprehensive set of deployment tools to accelerate implementation. This is augmented by a combination of direct support from SAP, live support from a local SAP partner, and self-service options.

SAP: A Trusted Partner for Profitable Growth

Small businesses and midsize companies overwhelmingly agree that profitable growth is a top priority.[8] In a challenging global market, SAP believes

that those companies that align their IT investments with their business goals – and requirements – are best positioned to achieve profitable growth. Fully integrated, adaptable SAP solutions are tailored for companies like yours, delivering the level of industry-specific functionality, adaptability, and ease of use you require. Through our network of channel partners, today we offer nearly 350 solutions enabled by SAP Business One and 700 qualified SAP Business All-in-One partner solutions tailored to specific industry needs.

SAP has over 35 years of experience and more than 100,000 implementations, making it a trusted partner for industry solutions for small businesses and midsize companies around the world. To find out which SAP solution is right for your company, please visit www.sap.com/solutions/sme or contact your local SAP representative.

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7. As of September 2007.
8. *Thinking big: Midsize companies and the challenges of growth,* The Economist Intelligence Unit, February 2006.

SAP Solutions for Small Businesses and Midsize Companies

	SAP® Business One	SAP® Business ByDesign™*	SAP Business All-in-One
Summary of Solution Requirements	A single solution to manage the entire business	A complete, on-demand business solution that is affordable, predictable, and easy to adopt	A comprehensive, extensible, and customizable business solution with support for industry-specific requirements
Challenges with Current Solutions	Outgrown your accounting-only systems	Decided to replace your point solutions, manual processes, and spreadsheets	Outgrown your point solutions or legacy systems
Nature of Operations	Relatively straightforward business processes Lower transaction volumes	Moderately complex business processes Moderate transaction volumes	Deep, microvertical and industry-specific business processes Demanding, high-volume product, manufacturing, and service operations
Typical Organizational Structure	Up to 5 locations and independent subsidiaries	Multiple locations, multiple divisions, and independent subsidiaries	Multiple locations, multiple divisions, and all types of subsidiaries
IT Preferences	Limited IT capability with preference for an on-premise system	Limited IT capability with a preference for an on-demand solution	IT capability with a preference for an on-premise solution
Typical Number of Employees	Less than 100 employees	100-500 employees	100-2500 employees

* Early customer availability and localization in in the United States, Germany, United Kingdom, France, and China

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